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## Soviet 1986-90 Five-Year-Plan Goals

### Summary

The plan for 1986-1990 calls for the economy to grow at rates not achieved for more than a decade. This growth is to result almost entirely from gains in productivity. But past campaigns to raise productivity have fared badly. Moscow's present agenda offers some hope for improvement, but not on the scale necessary to compensate for the increasing scarcities of basic resources.

### Ambitious Goals

The plan implies about 4.0 percent average annual growth in GNP during 1986-1990. During 1981-85 GNP growth averaged about 2.0 percent. Output in the vital industrial sector is to rise from the 2 percent average annual pace of 1981-85 to more than 4 percent during 1986-90. All growth in production is to be achieved through increased productivity.

### Modernizing Industry--The Linchpin of the Plan

The plan goals are in keeping with Gorbachev's aim of achieving an immediate growth dividend through better management and increased discipline that will support the start up of his high priority industrial modernization program--the primary engine to sustain growth.

Re-tooling industry with new and improved equipment is clearly Gorbachev's number one priority. The plan calls for a cutback in new construction and a 50 percent increase in expenditures for re-tooling existing enterprises. To provide the necessary equipment, machinery production is to grow at 7.4 percent annually, a rate not achieved since the early 1970's. Within machine-building, the high-technology sectors producing computer equipment, precision instruments, electrical equipment and electronics are to receive special emphasis and grow at even faster rates. The plan also makes it clear that Moscow expects its domestic machine builders to receive substantial help from Eastern Europe, primarily through direct production links between enterprises, the implementation of joint, large-scale projects, and increased imports of higher quality machinery.

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### Resource Allocation In Question

The 1986-1990 plan calls for overall investment to rise slightly faster than GNP. Big boosts are targeted for both energy and machine building--47 percent and 80 percent increases over their 1981-85 levels respectively--as Gorbachev attempts to deal with stagnating energy production and get his industrial modernization program rolling. With agriculture scheduled to continue to receive almost 1/3 of all investment, other critical sectors--notably metallurgy, construction materials and transportation--could be squeezed, thus risking increased production bottlenecks.

Some critical output targets may be beyond reach. Oil production, for instance, is scheduled to rise sharply by 1990, reversing its decline in 1984-85. Oil production in 1986 has shown some recovery but at a very high investment cost. The costs of oil recovery are expected to continue rising, which will draw scarce resources away from Moscow's modernization program.

The plan also promises too much to the consumer. The value of agricultural output is to rise by 4.5 percent annually, compared to the 1.5 percent average in 1983-85. Achieving this growth, however, will require very large gains in productivity and/or weather conditions so favorable that they have less than a 1 percent chance of occurring over the five-year period. In consumer goods other than food, the 2.6 percent annual growth achieved in production during 1981-1985 is to be doubled. This goal is unlikely to be achieved without substantial boosts in investment, but there are indications little, if any, increase in investment is planned for consumer sectors.

### Prospects

All production increments are to come from productivity increases that are far greater than those achieved in recent years. While some improvement is possible from increased discipline and better management, substantial gains require a quick payback from industrial modernization. But the lead times involved in producing new productivity enhancing machinery are large and Soviet machinebuilders may not be up to the task. In any event few benefits would be realized until the 1990s.

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